

Message Text

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ACTION EA-14

INFO OCT-01 IO-13 ADP-00 AID-20 SS-15 DEAE-00 CIAE-00

INR-10 JUSE-00 NSAE-00 RSC-01 SNM-02 SY-10 TRSE-00

USIA-15 NSC-10 SCI-06 OMB-01 AGR-20 IGA-02 H-03 RSR-01

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R 010519Z SEP 73
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TO SECSTATE WASHDC 6208
INFO AMEMBASSY RANGOON
AMEMBASSY VIENTIANE
AMCONSUL CHIANG MAI
US MISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 BANGKOK 13692

E.O. 11652: GDS
TAGS: SNAR, TH, BM
SUBJ: REQUEST FOR APPROVAL FOR INCOME SUBSTITUTION
PROJECTS FOR HILLTRIBES

REF: A. BANGKOK 11917
B. BANGKOK 13117
C. BANGKOK 13059

1. SUMMARY. THE LONG-TERM ANSWER TO THE PROBLEM OF
OPIUM GROWING IN THE GOLDEN TRIANGLE OF THAILAND, BURMA AND LAOS
IS INCOME SUBSTITUTION FOR THE POPPY-GROWING HILLTRIBES. IN THAILAND
THE USG SHOULD JOIN OTHER MULTILATERAL AND BILATERAL DONORS
IN SUPPORTING AND SUPPLEMENTING RTG EFFORTS IN INCOME
SUBSTITUTION. SPECIFICALLY WE PROPOSE IN THIS TELE-
GRAM ADDITIONAL USG SUPPORT FOR GENERAL DEVELOPMENT AS
WELL AS LABOR INTENSIVE PROJECTS TO DEVELOP THE HILLTRIBE
AREA AND PROVIDE AN ADEQUATE ALTERNATIVE INCOME TO OPIUM
CULTIVATION FOR THE HILLTRIBE PEOPLE. END SUMMARY.

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2. THE RTG HAS BEEN INCREASINGLY SUCCESSFUL IN ENFORCE-
MENT AGAINST NARCOTICS TRAFFICKING, BUT THE LONG-TERM
SOLUTION TO THE PROBLEM OF NARCOTICS IN THE GOLDEN
TRIANGLE IS THE SUBSTITUTION OF OTHER FORMS OF INCOME

FOR CULTIVATION OF THE OPIUM POPPY. THIS INCOME SUBSTITUTION CAN BE IN THE FORM OF OTHER CROPS TO REPLACE THE POPPY, AS WELL AS HILLTRIBE DEVELOPMENT PROJECTS WHICH PROVIDE INCOME FOR THE HILLTRIBE PEOPLE THROUGH PARTICIPATION IN LABOR INTENSIVE PROJECTS. WHILE WE CANNOT YET MOVE AHEAD ON THIS IN BURMA WHERE THE LARGEST PROBLEM LIES, WE CAN IN THAILAND. THIS WILL CONTRIBUTE TO CURBING THE PRODUCTION OF OPIATES IN THE AREA AND ALSO PROVIDE DATA AND TECHNIQUES WHICH SHOULD BE USEFUL WHEN IT IS POSSIBLE TO DEVELOP SIMILAR PROJECTS IN BURMA.

3. IN DECEMBER 1971 WE AGREED WITH THE UNITED NATIONS FUND FOR DRUG ABUSE CONTROL (UNFDAC) AND THE RTG THAT WE WOULD CONCENTRATE ON ENFORCEMENT PROJECTS ON THE BASIS THAT WE HAD PARTICULAR CAPABILITIES IN THIS FIELD WHILE THE UN AGENCIES WOULD WORK ON REDEVELOPMENT OF OPIUM GROWING AREAS AND REHABILITATION OF LOCAL DRUG ADDICTS. THE UNFDAC INCOME SUBSTITUTION PROJECT IS FINALLY GETTING UNDERWAY. IT IS GOOD BUT LIMITED, AND WE BELIEVE IT IMPORTANT THAT WE COME IN NOW WITH PROJECTS TO COMPLEMENT THE UN PROGRAMS, BOTH UNFDAC AND UNITED NATIONS DEVELOPMENT PROGRAM (UNDP), AS WELL AS BILATERAL EFFORTS PRESENTLY UNDERWAY IN THE HILLS, SO MORE RAPID PROGRESS CAN BE MADE IN THIS IMPORTANT AREA. RTG ENFORCEMENT ACTIONS ARE NOW TAKING ON A CERTAIN MOMENTUM OF THEIR OWN, SO WE CAN AND MUST TURN OUR ATTENTION ALSO TO THE DEVELOPMENTAL SIDE WHICH MUST GO HAND-IN-HAND WITH ENFORCEMENT.

4. THE FOLLOWING ARE ILLUSTRATIVE OF THE TYPES OF PROJECTS WE BELIEVE ARE ESSENTIAL TO GET THE HILLTRIBES OFF CULTIVATION OF OPIUM POPPIES.

(A) RESEARCH STATION

AS PART OF A LONGER TERM ATTACK ON THE CROP SUBSTITUTION PROBLEM, USOM IS NOW NEGOTIATING WITH THE RTG FOR A CONFIDENTIAL

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HIGHLAND AGRICULTURAL RESEARCH STATION WHICH WOULD IDENTIFY CROPS THAT CAN BE GROWN IN THE HILLTRIBE AREAS. THE USG CONTRIBUTION WOULD BE TO PROVIDE FOUR FULLTIME US AGRICULTURAL SPECIALISTS AND SHORT-TERM CONSULTANTS TO WORK WITH THAI AGRICULTURAL SPECIALISTS. THE USG WILL ALSO CONTRIBUTE TRAINING AND EQUIPMENT. THIS PROJECT WILL COMPLEMENT THE UNFDAC, UNDP, AND OTHER BILATERAL EFFORTS IN THE NORTH BY PROVIDING A RIGOROUS SCIENTIFIC BASIS FOR A SELF-SUSTAINING TRANSFORMATION OF HILLTRIBE AGRICULTURAL PATTERNS. THESE NEGOTIATIONS ARE ALREADY ON TRACK AND USOM HOPES TO SIGN A PROJECT AGREEMENT EARLY THIS FISCAL YEAR. NO ADDITIONAL USG ACTION IS REQUIRED FOR THIS PROJECT AT THIS TIME.

(B) HIGHLAND AGRICULTURAL MARKETING ANALYSIS
SENSIBLE CROP SUBSTITUTION EFFORTS REQUIRE A KNOWLEDGE
OF THE MARKET CHARACTERISTICS OF REAL AND POTENTIAL
CROPS. USOM IS PRESENTLY NEGOTIATING A HIGHLAND
AGRICULTURAL MARKETING ANALYSIS (HAMA) PROJECT WITH THE
RTG MINISTRY OF AGRICULTURE AND COOPERATIVES WHICH
WOULD PROVIDE INFORMATION ON THE SUPPLY AND DEMAND OF
HIGHLAND CROPS. DECISIONS TO ENCOURAGE PRODUCTION OF AND
RESEARCH ON PARTICULAR CROPS WILL BE BASED ON DATA
RESULTING FROM THIS SURVEY. THE USG CONTRIBUTION WILL
BE A TEAM OF MARKET EXPERTS TO ASSIST THE RTG IN THESE
EFFORTS. THE HAMA WILL INCLUDE USG ASSISTANCE TO
THE RTG IN AN INVESTIGATION OF THE MARKETING MECHANISM
PERTAINING TO HIGHLAND AGRICULTURAL PRODUCTS. IN THIS
EFFORT THE MARKETING MECHANISM (ROADS, TRANSPORTATION
AVAILABILITY, BROKERS, WAREHOUSING) WILL BE ANALYZED
WITH THE INTENTION OF FINDING WHERE IMPROVEMENT AND OR ENTIRELY
NEW MECHANISMS ARE NEEDED. THE TOTAL ESTIMATES USG PARTICIPATION
IN HAMA WILL BE \$100,000. THE USG WILL BE PREPARED TO SUPPORT
BY INPUTS OF ADVISORY SERVICES, TRAINING, OR COMMODITIES
THE IMPROVEMENT OF WEAK LINKAGES IN THE SYSTEM THAT THE
ANALYSIS DISCLOSES. THIS SUB-PROJECT WILL BE A PART OF
HAMA, AND RECOMMENDATIONS FOR FOLLOW-UP WILL BE EXPECTED
NOT LATER THAN 6 MONTHS FOLLOWING THE START OF THE HAMA
PROJECT.

(C) SUPPORT FOR MARKETING MECHANISM
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ONE LOGICAL FOLLOW-UP TO THE MARKETING MECHANISM
ANALYSIS WOULD BE A LOAN TO AN RTG INSTITUTION WITH THE
OBJECTIVE OF IMPROVING THE WEAK POINTS OF THE NORTHERN
MARKETING SYSTEM. ALTHOUGH THE PARAMETERS OF THE
PROBLEM AND WILLINGNESS OF RTG TO EXPLORE LOANS FOR
THIS PURPOSE ARE PRESENTLY UNKNOWN, THE POSSIBILITY
EXISTS FOR AN INITIAL \$50,000-\$100,000 USG INPUT IN
FY 75, WITH LARGER INPUTS IN SUBSEQUENT YEARS.

(D) SUPPORT FOR ZONAL DEVELOPMENT EFFORTS
THE USG SHOULD SUPPORT AND ENCOURAGE THE EXPANSION OF
THE AREA DEVELOPMENT TYPE ZONAL DEVELOPMENT PROJECT
(ZDP) OF THE MINISTRY OF INTERIOR'S DEPARTMENT OF
PUBLIC WELFARE, PRESENTLY IN THE EXPERIMENTAL STAGE.
THE OBJECTIVES OF THIS PROJECT ARE TO STABILIZE SHIFTING
POPULATIONS, ELIMINATE OPIUM CULTIVATION, PROTECT
WATERSHEDS, AND ENCOURAGE DEVELOPMENT OF THE HILLTRIBES.
DEVELOPMENT TEAMS WILL PROVIDE A FULL RANGE OF GOVERN-
MENT SERVICES TO DEFINABLE AREAS OF THE HIGHLANDS
(HEALTH, AGRICULTURAL EXTENSION, INFRASTRUCTURE IMPROVE-

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MENTS) AS A MEANS OF ACHIEVING THE OBJECTIVES. USG
INPUTS WOULD CONSIST OF COMMODITIES NEEDED TO SUPPORT
THE INFRASTRUCTURE IMPORVEMENT WHICH WOULD BE DONE, TO
THE EXTENT POSSIBLE, BY LABOR INTENSIVE MEANS. IT IS
POSSIBLE THAT IF THE PROJECT PROVES SUCCESSFUL IN ITS
EARLY IMPLEMENTATION, LOCAL CURRENCY INPUTS BY THE USG TO
SUPPORT LABOR INSTSIVE UNDERTAKINGS WOULD BE REQUIRED.
INCLUDING THE LOCAL CURRENCY ELEMENT, THE US
CONTRIBUTION IS ESTIMATED AT \$1,000,000 OVER A 7-YEAR
PERIOD.

FURTHER SUPPORT TO THIS EFFORT BY A MOBILE TRADE
TRAINING SCHOOL (MTTS) TYPE INPUT MIGHT ALSO BE
APPROPRIATE.

(E) US SUPPORT OF LABOR IINTENSIVE PUBLIC WORKS PROJECT
AS A COMPLEMENT TO THE ZDP, WHICH WILL WORK IN
DISCRETE AREAS, A MORE GENERAL EFFORT TO UPGRADE AND ADD
TO EXISTING INFRASTRUCTURE IN THE OPIUM GROWING AREAS
OF THE NORTH SHOULD BE MOUNTED. THE OBJECTIVE OF THIS
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EFFORT WOULD BE TO IMPROVE THE ACCESSIBILITY OF HILL-
TRIBE PRODUCTS TO POTENTIAL MARKETS AND DRAW THE ENTIRE
AREA INTO THE LEGITIMATE MONEY ECONOMY. ALTHOUGH
THERE WILL UNDOUBTEDLY BE SHORT TERM ECNOMIC PAYOFFS,
THE BULK OF THE ECONOMIC RETURNS WILL BE LONG-RUN.

THESE OBJECTIVES ARE SUBORDINATE TO THAT OF PROVIDING INCOMES TO HILLTRIBE PEOPLE WHICH WOULD BE A SUBSTITUTE FOR OPIUM EARNINGS.

IMPLEMENTATION OF THESE PROJECTS WOULD INVOLVE EMPLOYING HILLTRIBE MEN AND WOMEN TO WORK DURING THE OPIUM GROWING SEASON ON SUCH ITEMS AS TRAIL IMPROVEMENT, MINOR ROADS, AND WATER PROJECTS, UNDER AUSPICES OF THE ACCELERATED RURAL DEVELOPMENT (ARD) AND MOBILE DEVELOPMENT UNIT (MDU) PROGRAMS. MORE CAPITAL INTENSIVE METHODS WOULD BE EMPLOYED DURING THE NON-OPIUM GROWING SEASON SO THAT SUBSISTENCE CROPS WOULD CONTINUE TO BE GROWN. THE DURATION OF THIS EFFORT IS UNCERTAIN. ONCE A VIABLE ALTERNATIVE CROP TO OPIUM IS DEVELOPED THE HILLTRIBE PEOPLE COULD RETURN TO THEIR NORMAL LIVELIHOOD AND THE INFRASTRUCTURE IMPROVEMENT COULD CONTINUE IN A CAPITAL INTENSIVE FASHION.

THE ABOVE PROJECT CALLS FOR POLICY CHANGES ON BEHALF OF BOTH THE RTG AND USG. THE RTG MUST CHANGE ARD'S METHOD OF PROCEDURE FROM USE OF CAPITAL INTENSIVE QUICK IMPLEMENTATION PROJECTS TO SLOWER PROCEEDING LABOR INTENSIVE EFFORTS. THE USG MUST BE PREPARED TO SUPPORT THIS UNDERTAKING WITH BOTH ADDITIONAL EQUIPMENT TAILORED TO A MOUNTAINOUS ENVIRONMENT AND LOCAL CURRENCY TO SUPPORT THE PAYMENTS TO LABOR. DEPENDING ON THE MAGNITUDE OF THE EFFORT, USG CONTRIBUTION COULD BE UP TO \$2MILLION IN THE FIRST TWO YEARS.

(F) REFORESTATION

ANOTHER LABOR INTENSIVE EFFORT WHICH WOULD DIVERT HILLTRIBE ENERGIES FROM OPIUM CULTIVATION WOULD BE AN EXPANDED REFORESTATION SCHEME IN THE NORTH. THIS WOULD HAVE THE FURTHER ADVANTAGE OF INCREASING FOREST RESOURCES AND PROTECTING DETERIORATING WATERSHEDS. TO INSURE THAT REFORESTATION DOES NOT DEPRIVE THE HILLTRIBES OF LAND USED FOR FOOD

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CULTIVATION, THIS PROJECT SHOULD BE CLOSELY COORDINATED WITH THE ZDP AND OTHER ACTIVITIES DESIGNED TO REORIENT THE ENTIRE HILLTRIBE ECONOMY.

IMPLEMENTATION WOULD CONSIST OF SUPPORTING VASTLY EXPANDED SEEDLING NURSERIES, LAND CAPABILITY STUDIES, AND HILLTRIBE WAGES. THIS WOULD BE IN TWO PHASES: EXPANSION OF PRODUCTION FACILITIES FOLLOWED BY REPLANTING. THIS HAS NOT YET BEEN DISCUSSED WITH THE FORESTRY INDUSTRIES ORGANIZATION, SO THE EXTENT OF EXISTING FACILITIES IS UNKNOWN. IT IS ANTICIPATED THAT AN INPUT OF \$400,000 IN FY 74 TO EXPAND FACILITIES AND PLAN THE SCHEME, FOLLOWED BY \$800,000 IN FY 75 AND AN EQUAL AMOUNT IN THE FOLLOWING YEARS WOULD BE APPROPRIATE.

5. PARAS 4 (A) AND 4 (B) ARE PRESENTLY BEING NEGOTIATED WITH THE RTG. PARAS 4 (C), 4 (D), 4 (E) AND 4(F) HAVE NOT YET BEEN DISCUSSED. THE LATTER REPRESENT MAJOR DEPARTURES FROM TRADITIONAL US POLICY ON ASSISTANCE TO THAILAND AS THEY CONTAIN SIGNIFICANT LOCAL CURRENCY INPUTS. FURTHER, THIS MESSAGE IS SILENT ON RTG CONTRIBUTIONS SINCE WE HAVE DELIBERATELY NOT SOLICITED ANY INDICATION OF RTG INTEREST ON THESE PROPOSALS. UNLESS OTHERWISE ADVISED, THE MISSION MUST ASSUME THAT RTG COUNTERPART CONTRIBUTIONS OF THE SAME LEVEL AS THAT IN OTHER PROJECTS MUST BE PROVIDED.

6. COMMENT: THE THAI WOULD LIKE TO SEE MORE RAPID MOVEMENT ON INCOME SUBSTITUTION (REFTEL A). SEVERAL MEMBERS OF CODEL WOLFF EXPRESSED THE VIEW THAT THE HILLTRIBE PEOPLE SHOULD STOP CULTIVATING OPIUM IMMEDIATELY (REFTEL B). THE RTG WILL NOT DO SO WITH PRESENTLY AVAILABLE RESOURCES; IT ALSO WILL NOT ENFORCE THE BAN ON OPIUM CULTIVATION IN THE SENSITIVE HILLTRIBE AREAS UNTIL HILLTRIBESMEN ARE ASSURED OF ADEQUATE INCOME BY OTHER MEANS. WE REALIZE THAT SOME OF THE PROPOSALS OUTLINED ABOVE INVOLVE CERTAIN RISK, BUT WE BELIEVE THAT THE PROBLEM IS URGENT ENOUGH TO REQUIRE IMMEDIATE ACTION RATHER THAN WAITING FOR THE RESULTS OF MORE SURVEYS AND EXPERIMENTATION. AS OPIUM PRODUCTION ENDS IN TURKEY, ATTENTION OF TRAFFICKERS WILL FOCUS INCREASINGLY ON THE "GOLDEN TRIANGLE" AS A MAJOR SOURCE. WE NEED TO GET THESE PROJECTS MOVING IMMEDIATELY.
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REQUEST AUTHORITY SOONEST TO ENTER INTO NEGOTIATIONS WITH THE RTG FOR A COORDINATED PROGRAM TO ATTACK THE PROBLEM OF OPIUM POPPY CULTIVATION. THE PROPOSALS IN PARAGRAPH 4 ABOVE WOULD BE USED AS THE BASIS FOR THESE DISCUSSIONS BUT WOULD HAVE TO BE MODIFIED AND REFINED AS THESE NEGOTIATIONS PROGRESSED.

7. ACTION REQUESTED: IN ORDER TO MOUNT A MAJOR ATTACK ON THE CULTIVATION OF OPIUM IN THAILAND, WE RECOMMEND THAT:

(A) THE DEPARTMENT AUTHORIZE US IMMEDIATELY TO ACTIVELY PURSUE WITH THE RTG THE PROJECTS PROPOSED IN PARAGRAPHS 4 (C)-(F).

(B) THE DEPARTMENT GIVE ASSURANCES THAT DOLLAR CONVERSION TO LOCAL CURRENCY WILL BE APPROVED FOR THESE PROJECTS.

(C) THE DEPARTMENT GIVE FAVORABLE CONSIDERATION TO REOPENING TERMINATED PROJECTS, SUCH AS MTTs AND MDU's.

(D) THE USG ALLOCATE THE FOLLOWING AMOUNTS IN SUPPORT OF THE AFOREMENTIONED PROJECTS:

(1) \$50,000-\$100,000 IN FY 1975 FOR LOANS TO

AN RTG INSTITUTION TO IMPORVE WEAK POINTS IN THE
NORTHERN MARKETING SYSTEM.

(2) ONE MILLION DOLLARS OVER A 7-YEAR PERIOD TO
SUPPORT RTG ZONAL DEVELOPMENT PROJECTS.

(3) TWO MILLION DOLLARS IN FY74 AND FY-75 TO SUPPORT LABOR
INTENSIVE PUBLIC WORKS PROJECTS.

(4) \$400,000 IN FY 74 AND (800,000 IN FY 75 TO
SUPPORT AN INTENSIVE RTG REFORESTATION PROJECT IN THE NORTH.
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